

**THE COLLEGE OF WILLIAM AND MARY  
WILLIAMSBURG, VIRGINIA**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2000**



## **AUDIT SUMMARY**

Our audit of The College of William and Mary for the year ended June 30, 2000 found:

- the financial statements are presented fairly, in all material respects;
- internal control matters that we consider to be reportable conditions; however, we do not consider any of these to be material weaknesses;
- no instances of noncompliance that are required to be reported; and
- corrective action of prior audit findings, except for the findings listed on page 4 and detailed in the section entitled, "Internal Control Findings and Recommendations."

- TABLE OF CONTENTS -

AUDIT SUMMARY

INDEPENDENT AUDITOR'S REPORT:

Report on Financial Statements

Report on Compliance and on Internal Control over Financial Reporting

INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

FINANCIAL STATEMENTS:

Balance Sheet

Statement of Changes in Fund Balances

Statement of Current Funds Revenues, Expenditures, and Other Changes

Notes to Financial Statements

SUPPLEMENTARY INFORMATION:

Schedule of Auxiliary Enterprises Revenues and Expenditures

COLLEGE OFFICIALS

April 13, 2001

The Honorable James S. Gilmore, III  
Governor of Virginia

The Honorable Vincent F. Callahan, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission

Board of Visitors  
The College of William and Mary

We have audited the accounts and records of **The College of William and Mary** as of and for the year ended June 30, 2000, and submit herewith our complete reports on financial statements and compliance and internal control over financial reporting.

#### INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the balance sheet of The College of William and Mary as of June 30, 2000, and the related statements of changes in fund balances and current fund revenues, expenditures, and other changes for the year then ended. The financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The College of William and Mary as of June 30, 2000, and the changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying "Schedule of Auxiliary Enterprises Revenues and Expenditures" is presented for the purpose of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly presented in all material respects in relation to the financial statements taken as a whole.

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of The College of William and Mary as of and for the year ended June 30, 2000, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

#### Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the College's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the section titled, "Internal Control Findings and Recommendations."

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

#### Status of Prior Findings

The College has not taken adequate corrective action with respect to the previously reported findings, "Improve Student Information System," "Establish Employee Accountability over Cash and Cash Receipting System," and "Properly Account for Fixed Assets on the Fixed Asset Accounting System." Accordingly, we included these findings in the section entitled, "Internal Control Findings and Recommendations." The College has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

The "Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting" is

intended solely for the information and use of the Governor and General Assembly of Virginia, Board of Visitors, and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on April 17, 2001.

AUDITOR OF PUBLIC ACCOUNTS

PBB:kva  
kva:122

## INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

### Improve Systems Project Management

In February 1999, the College issued a Request for Proposal (RFP) for the implementation of an integrated information system. This system would replace three core systems: Finance, Human Resources, and Student Systems, and numerous subsystems. In December 1999, the College awarded Systems, Applications, and Products (SAP) the contract for the system and Align Consulting, Inc. an implementation services contract. In the Spring of 2000, the College began the accelerated development and implementation of its Enterprise Resource Planning System (SAP R/3), called Project ARIA. The College identified resource requirements of \$9.5 million for purchasing software, hardware, and consulting costs.

In August 2000, the College appointed the current project manager to lead Project ARIA. This project manager identified many of the problems noted below, and recommended a slower, more methodical rate of implementation and the termination of Align Consulting due to funding limitations. More importantly, he recognized that the Project would not succeed unless the College re-assessed SAP Finance functionality and addressed immediate problems with Student Systems.

The College has spent over \$5 million in college funds and over \$350,000 in private funds, with over \$400,000 in contractual costs outstanding. To date, the College has not completely implemented any core portion of the SAP R/3 system.

Significant problems noted during the planning and implementation process included the following issues:

- The College did not identify sufficient funding sources to support the full implementation of the project. To date, the College has received appropriations totaling \$2,050,000 to support project expenses and loan financing. The College is also looking at other funding sources, such as transfers from Auxiliary Enterprises fund balances.
- The Project's initial budget only addressed external costs. The College did not adequately account for any internal costs, including employees' time spent on the project, employee payroll costs, certain hardware costs, and upgrading employee workstations.
- The College insufficiently prepared for an accelerated implementation by failing to adequately make employees available to work on the project, inadequately documenting policies and procedures, and insufficiently pre-planning to maintain operations during an accelerated implementation. Involvement in Project ARIA required that employees spend significant time away from their operational responsibilities.
- The College appointed four new project managers and Align Consulting appointed three new project managers in the first seven months.
- Align Consulting had limited knowledge of higher education in Virginia, especially regarding College and Commonwealth reporting requirements.
- The implementation of the core Finance portion fell an estimated six months behind schedule.
- The College currently lacks adequately trained personnel to implement and maintain SAP R/3. The cost of hiring additional staff with SAP R/3 experience to maintain the system would cost the College at least an additional \$1 million in personnel expenses annually.

- The College did not meet contractual requirements and inadequately documented difficulties in installing the SAP software. This caused the College to pay an invoice totaling \$1,071,225 to SAP approximately four months after the invoice date.

We agree with the project manager's recommendation to reevaluate and address primary system development and implementation planning issues before continuing. While we concur with the College's decision to replace its core systems, inadequate funding will not support a successful implementation of the SAP R/3 system.

The College must develop a comprehensive project management plan that adequately identifies all system requirements and resources available, and addresses any problems noted in the attempted implementation of Project ARIA. Specifically, the plan should adequately address funding sources and include a detailed project budget with internal and external costs, a sufficient pre-planning phase, adequate documentation of policies and procedures, a realistic timeline, and appropriate implementation partners.

#### *Develop an Information Technology Security Program*

The College needs to complete its development of an Information Technology Security Program. This program should include a business impact analysis, risk analysis, contingency plan, and security safeguard program, in addition to security awareness and training programs. The College developed an informal business impact, risk analysis, and contingency plan as part of their Y2K project; however, we consider these plans outdated. Further, management has developed, but not completed the security safeguard program, contingency plan, and security awareness and training programs. The development of a comprehensive Information Technology Security Program is even more essential due to the increased risk of failure of aging existing systems and the implementation of a new financial system.

Management should continue to develop, document, and execute an Information Technology Security Program in accordance with the Information Technology Resource Management Standard Security Architecture 2000-01.1. The process should include developing procedures for reviewing, updating, and changing its program to address new situations and technology.

#### *Improve Student Information System*

As noted in prior audits, the student information system and charge generator program does not properly assess tuition and fee charges for research graduate students receiving tuition waivers. As a result, the College manually reviews and corrects hundreds of student accounts every semester. These manual assessments circumvent the system's internal controls and are very labor intensive. Numerous manual assessments also increase the risk of errors, as well as overlooking improper adjustments.

During the year, the College determined that this problem could not be cost-effectively corrected in the current system. Therefore, management decided to address problems with the implementation of the new student information system through Project ARIA. We encourage the College to continue its efforts to implement a new student information system, focusing on the graduate student charge process.



### Delete CARS Access for Terminated Employees

College personnel only review and terminate Commonwealth Accounting and Reporting System (CARS) access annually when the Department of Accounts (DOA) sends a CARS access report to the College. Although the College eliminates a terminated employee's access to the College's mainframe, these terminated employees can still access William and Mary CARS data through the Department of Information Technology from another state agency. During our review, we noted that the College did not request that DOA delete an employee's CARS access when she terminated, but upon the annual CARS access verification process.

Timely deletion of a terminated employee's access to CARS ensures that the employee cannot access the College's information. Management should develop internal controls to ensure timely deletion of CARS and mainframe access for all terminated employees.

### Limit Excessive One-Time Payments

During fiscal year 2000, the College issued 2,129 one-time payments to 1,065 employees totaling \$2.7 million. Seventy-six employees received five or more payments, with four of these employees receiving over 20 payments. An excessive number of one-time payments increases the risk for improper payments and potentially circumvents automated payroll procedures.

The College should develop a written policy that defines the acceptable uses of one-time payments and limits the number of one-time payments an employee can receive.

### Address Overpayments to Employees

During the year, the College paid forty-six employees \$155,779 in excess of their proper pay. Thirty-nine payments resulted from departments failing to promptly notify the Payroll and Human Resource Departments of employee changes. The remaining seven were data entry errors in Payroll or Human Resources. Although the College believes it will recover all of the overpayments, the College risks losing public funds. We recommend that College management enforce existing procedures requiring departments to submit employee change information to Payroll and Human Resources timely. Further, all changes should be properly reviewed to ensure data entry errors do not occur.

### Improve Leave Control

The College does not have adequate control over employee leave. Departments have developed their own internal procedures for tracking leave and do not always follow the College's procedures for submitting leave records. These internal procedures resulted in Human Resources receiving leave slips late and not entering information into HRS in a timely manner. During the year, we identified two employees who took leave when it was not available, forcing them on leave without pay status. Another employee submitted a year's worth of leave slips to Human Resources at the end of the year.

College management should enforce college-wide procedures regarding leave control. Enforcement of these procedures should prevent employees from accruing excess leave or using leave when it is not available.

### Delete Inactive Employees Timely

The College does not have a policy addressing the deletion of inactive employees from the payroll system. Further, the College does not monitor inactive employees. The lack of timely deletion from the system may result in improper payments and security risks.

The College should draft a policy regarding employees without payroll activity. This policy should define an inactive employee and include the development of a system report that identifies inactive employees.

*Establish Employee Accountability over Cash and Cash Receipting System*

As noted in prior audits, we found that the cashiers in the Bursar's office share physical access to cash drawers and security access to their cash receipting system due to office space restrictions. Further, the College changed the automated cashiering system to allow cashiers to use multiple user IDs concurrently. The system does not prevent a cashier from generating a receipt using another cashier's user ID. Without individual accountability, management is unable to hold employees responsible for theft or processing errors.

Management should require all cashiers to maintain and use a confidential, unique login and password when entering the cash receipting system. Additionally, management should provide the resources necessary to allow each cashier to maintain their own cash drawer. Failure to implement proper controls could result in loss of College assets or improper posting of assets.

*Properly Account for Fixed Assets on the Fixed Asset Accounting System*

The College did not properly account for or monitor its equipment. We could not locate 13 of the 40 items selected for testing. Follow up procedures found that three items were surplus. The College could not find the remaining ten items, totaling \$494,006 by the end of the audit. Additionally, we could not trace 7 of 30 items selected from the department to the fixed asset listing.

Proper control over fixed assets includes maintaining accurate accounting records. Management should emphasize to the departments the importance of appropriate record keeping and compliance with College and state regulations. Failure to implement proper controls could result in the loss of college assets or improper recording of assets.

**VIRGINIA INSTITUTE OF MARINE SCIENCE**

*Properly Account for Fixed Assets on the Fixed Asset Accounting System*

The Institute did not properly account for equipment. The Institute could not locate two of the ten items selected for inspection from the fixed asset listing. Additionally, we could not trace three of ten items selected for testwork from the department to the fixed asset listing.

Proper control over fixed assets includes maintaining accurate accounting records. Management should emphasize to the departments the importance of appropriate record keeping and compliance with Institute and state regulations. Failure to implement proper controls could result in the loss of College assets or improper posting of assets.

THE COLLEGE OF WILLIAM AND MARY  
CONSOLIDATED REPORT  
BALANCE SHEET  
As of June 30, 2000  
With Comparative Figures for 1999

	Current Funds		Loan	Endowment and
	Unrestricted	Restricted	Funds	Similar Funds
Assets				
Cash and cash equivalents (Note 2)	\$ 18,205,331	\$ 3,718,240	\$ 346,874	\$ 29,882
Investments (Note 2)	3,049,383	5,295,727	21,876	35,620,143
Appropriations available	-	-	-	-
Accounts receivable (Net of allowance for accounts of \$40,656 in 2000 and \$39,092 in 1999)	1,142,211	2,569,949	225	54,636
Notes receivable	-	-	2,566,511	-
Due from other funds	1,959,890	1,178,027	-	-
Inventories (Note 1)	561,508	-	-	-
Other assets	142,976	10,000	-	-
Investment in plant (Note 8)	-	-	-	-
Total assets	\$ 25,061,299	\$ 12,771,943	\$ 2,935,486	\$ 35,704,661
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued expenses	\$ 15,032,391	\$ 1,952,434	\$ -	\$ -
Retainage payable (Note 5)	-	-	-	-
Deposits and deferred revenues (Note 1)	3,295,778	1,436	-	-
Deposits held in custody for others	-	-	-	-
Due to other funds	-	1,800,000	-	1,337,917
Advance from the Treasurer of Virginia	-	700,000	-	-
Accrued leave (Note 7)	5,511,639	378,336	-	-
Bonds payable (Note 6)	-	-	-	-
Notes payable (Note 6)	-	-	-	-
Leases payable (Note 6)	-	-	-	-
Installment purchases (Note 6)	-	-	-	-
Obligations under securities lending program	749,654	-	-	-
Other liabilities (Note 6)	-	-	-	-
Total liabilities	24,589,462	4,832,206	-	1,337,917
Fund balances:				
Unrestricted current funds (Note 10)	471,837	-	-	-
Restricted current funds	-	7,939,737	-	-
Loan funds, U.S. government grants	-	-	2,412,589	-
Loan funds, College	-	-	522,897	-
Endowment funds	-	-	-	27,289,581
Quasi-Endowment funds - Unrestricted	-	-	-	2,539,874
Quasi-Endowment funds - Restricted	-	-	-	4,537,289
Unexpended plant funds	-	-	-	-
Renewal and replacement funds	-	-	-	-
Retirement of debt funds	-	-	-	-
Net investment in plant	-	-	-	-
Total fund balances	471,837	7,939,737	2,935,486	34,366,744
Total liabilities and fund balances	\$ 25,061,299	\$ 12,771,943	\$ 2,935,486	\$ 35,704,661

\* Certain 1999 amounts have been restated to conform to 2000 classifications (Note 10).  
The accompanying notes to the financial statements are an integral part of this statement.

Plant Funds			Agency Funds	Total 2000	Total 1999*
Unexpended	Retirement of Debt	Investment in Plant			
\$ 941,142	\$ 272,568	\$ -	\$ 446,300	\$ 24,027,954	\$ 23,135,693
6,417,869	-	-	713,631	51,396,156	53,876,454
30,020,890	-	-	-	30,020,890	31,800,561
-	-	-	65,570	3,832,591	3,338,651
-	-	-	-	2,566,511	2,485,644
-	-	-	-	3,137,917	2,264,049
-	-	-	-	561,508	533,501
14,310	-	-	-	167,286	110,760
-	-	362,014,453	-	362,014,453	341,327,518
\$ 67,415,101	\$ 272,568	\$ 362,014,453	\$ 1,225,501	\$ 477,725,252	\$ 458,872,831

\$ 3,041,578	\$ -	\$ -	\$ 258,180	\$ 20,284,583	\$ 15,268,898
1,126,752	-	-	-	1,126,752	108,753
-	-	-	375,136	3,672,350	3,859,019
-	-	-	532,957	532,957	412,779
-	-	-	-	3,137,917	2,264,049
-	-	-	-	700,000	700,000
-	-	-	59,228	5,949,203	5,408,537
3,067,098	-	33,243,471	-	36,310,569	38,675,724
2,286,214	-	1,598,786	-	3,885,000	2,085,000
-	-	3,140,496	-	3,140,496	4,999,922
-	-	425,677	-	425,677	643,313
-	-	-	-	749,654	851,327
14,310	-	-	-	14,310	-
9,535,952	-	38,408,430	1,225,501	79,929,468	75,277,321
-	-	-	-	471,837	3,642,781
-	-	-	-	7,939,737	8,203,127
-	-	-	-	2,412,589	2,393,915
-	-	-	-	522,897	444,103
-	-	-	-	27,289,581	28,307,812
-	-	-	-	2,539,874	2,967,493
-	-	-	-	4,537,289	4,503,056
27,858,259	-	-	-	27,858,259	30,436,545
-	-	-	-	345,130	414,911
-	272,568	-	-	272,568	100,740
-	-	323,606,023	-	323,606,023	302,181,027
27,858,259	272,568	323,606,023	-	397,795,784	383,595,510
\$ 37,394,211	\$ 272,568	\$ 362,014,453	\$ 1,225,501	\$ 477,725,252	\$ 458,872,831

THE COLLEGE OF WILLIAM AND MARY  
CONSOLIDATED REPORT  
STATEMENT OF CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2000

	Current Funds		
	Unrestricted	Restricted	Loan Funds
Revenues and other additions:			
Unrestricted current fund revenues	\$ 175,118,779	\$ -	\$ -
State appropriations - Restricted	-	4,637,747	-
Federal grants and contracts - Restricted	-	17,574,735	-
State grants and contracts - Restricted	-	3,191,135	-
Local grants and contracts - Restricted	-	166,596	7,168
Private gifts, grants and contracts - Restricted	-	12,825,385	-
Endowment income	-	695,592	-
Investment income	-	118,398	74,842
Realized gains on investments	-	-	-
Unrealized gain on investments	-	1,823	38
Interest on loans receivable	-	-	64,600
U.S. government advances	-	-	21,503
Expended for plant facilities (Including \$7,564,938 charged to current funds)	-	-	-
Retirement of debt (Including \$132,802 charged to current funds)	-	-	-
Other sources	-	-	6,301
Total revenues and other additions	175,118,779	39,211,411	174,452
Expenditures and other deductions:			
Educational and general	130,766,135	33,431,020	-
Auxiliary enterprises	42,033,216	2,441,149	-
Indirect costs recovered	-	3,740,743	-
Realized losses	-	4,841	-
Unrealized losses	-	-	-
Refunded to grantors	-	34,137	-
Loan cancellations and write-offs	-	-	23,804
Administrative and collection costs	-	-	51,987
Expended for plant facilities (Including \$2,401,150 not capitalized)	-	-	-
Retirement of debt	-	-	-
Interest on debt	-	-	-
Disposal of plant assets	-	-	-
Other	-	-	1,193
Total expenditures and other deductions	175,091,779	39,651,890	76,984
Transfers among funds - additions (deductions):			
Mandatory	(5,572,528)	-	-
Non-mandatory	82,156	177,089	-
Total transfers among funds	(5,490,372)	177,089	-
Net increase (decrease) for the year	(3,170,944)	(263,390)	97,468
Fund balance at beginning of year (Note 10)	3,642,781	8,203,127	2,838,018
Fund balance at end of year	\$ 471,837	\$ 7,939,737	\$ 2,935,486

\* Certain 1999 amounts have been restated to conform to 2000 classifications (Note 10).

The accompanying notes to the financial statements are an integral part of this statement.

Endowment and Similar Funds	Plant Funds			
	Unexpended	Renewals and Replacements	Retirement of Debt	Investment in Plant
\$ -	\$ -	\$ -	\$ -	\$ -
-	8,415,181	-	937,725	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
401,571	3,133,239	-	-	29,364
-	-	-	-	-
143,661	402,537	-	-	-
-	-	-	-	-
268,212	-	345	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	19,974,823
-	-	-	-	4,427,384
-	-	-	203,755	-
813,444	11,950,957	345	1,141,480	24,431,571
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,611,563	-	-	-	-
146	-	-	-	-
-	-	-	-	-
-	-	-	-	-
132,910	-	-	-	-
-	14,811,035	-	-	-
-	-	-	4,294,582	-
-	-	-	2,255,254	-
-	-	-	-	3,006,575
1,875	-	-	-	-
1,746,494	14,811,035	-	6,549,836	3,006,575
-	(7,656)	-	5,580,184	-
(478,567)	289,448	(70,126)	-	-
(478,567)	281,792	(70,126)	5,580,184	-
(1,411,617)	(2,578,286)	(69,781)	171,828	21,424,996
35,778,361	30,436,545	414,911	100,740	302,181,027
\$ 34,366,744	\$ 27,858,259	\$ 345,130	\$ 272,568	\$ 323,606,023

THE COLLEGE OF WILLIAM AND MARY  
CONSOLIDATED REPORT  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
For the Year Ended June 30, 2000  
With Comparative Figures for 1999

	Unrestricted	Restricted	Total 2000	Total 1999
Revenues:				
Student tuition and fees	\$ 53,706,786	\$ -	\$ 53,706,786	\$ 54,504,764
State appropriations (Note 9)	64,248,089	4,626,034	68,874,123	59,112,187
Federal grants and contracts	2,964,150	14,581,625	17,545,775	15,905,631
State grants and contracts	443,322	2,632,928	3,076,250	3,182,355
Local grants and contracts	3,339	160,486	163,825	286,121
Private gifts, grants and contracts	4,809,718	13,189,414	17,999,132	16,208,662
Endowment income	208,537	681,682	890,219	918,832
Investment income	576,001	-	576,001	575,037
Auxiliary enterprises	45,985,968	-	45,985,968	45,921,324
Sales and services of educational departments	17,281	-	17,281	20,267
Other sources	2,155,588	-	2,155,588	2,185,365
Total revenues	175,118,779	35,872,169	210,990,948	198,820,545
Expenditures and mandatory transfers:				
Educational and general:				
Instruction	58,137,969	4,265,588	62,403,557	58,350,151
Organized research	11,671,696	18,702,749	30,374,445	27,122,807
Public service	6,306	474	6,780	7,624
Academic support	21,754,535	421,832	22,176,367	18,377,085
Student services	4,616,792	56,624	4,673,416	4,389,289
Institutional support	17,102,424	42,149	17,144,573	14,381,894
Operations and maintenance of plant	9,580,339	59,700	9,640,039	8,477,913
Student aid	7,896,074	9,881,904	17,777,978	17,372,570
Educational and general expenditures	130,766,135	33,431,020	164,197,155	148,479,333
Mandatory transfers for debt service and other	136,087	-	136,087	136,087
Total educational and general	130,902,222	33,431,020	164,333,242	148,615,420
Auxiliary enterprises:				
Expenditures	42,033,216	2,441,149	44,474,365	40,996,240
Mandatory transfers for debt service	5,436,441	-	5,436,441	5,479,792
Total auxiliary enterprises	47,469,657	2,441,149	49,910,806	46,476,032
Total expenditures and mandatory transfers	178,371,879	35,872,169	214,244,045	195,091,452
Other transfers and additions (deductions):				
Excess of restricted receipts over transfers to revenue	-	(401,501)	(401,501)	(301,759)
Realized loss on investments	-	(4,841)	(4,841)	(8,294)
Refunded to grantors	-	(34,137)	(34,137)	(18,060)
Other deductions	-	-	-	-
Non-mandatory transfers	82,156	177,089	259,245	(112,324)
Total other transfers and additions (deductions)	82,156	(263,390)	(181,234)	(440,437)
Net increase (decrease) in fund balances	\$ (3,170,944)	\$ (263,390)	\$ (3,434,334)	\$ 3,288,656

\* Certain 1999 amounts have been restated to conform to 2000 classifications.  
The accompanying notes to the financial statements are an integral part of this statement.

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The accompanying financial statements include the accounts of The College of William and Mary and Richard Bland College. The College of William and Mary includes the Williamsburg campus and the York River campus (Virginia Institute of Marine Science). The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

The Omohundro Institute of Early American History and Culture (OIEAHC), sponsored by the College of William and Mary and The Colonial Williamsburg Foundation, is organized exclusively for educational purposes. Its Executive Board, subject to its sponsors, determines matters of policy and has responsibility for financial and general management, as well as resource development. The Executive Board consists of six members: the chief education officer of the Colonial Williamsburg Foundation, the chief academic officer of the College of William and Mary, and the chairperson of the Institute Council, and three who are elected by OIEAHC's Executive Board. The three members are elected by the remaining five members on a tri-annual basis. Prior to the beginning of each fiscal year, the sponsors determine the nature and extent of their responsibility for the financial support of the OIEAHC in the upcoming year.

For financial reporting purposes, assets of the OIEAHC are not included in the accompanying financial statements. The following summarizes the unaudited financial position of the OIEAHC at June 30, 2000:

Assets	<u>\$1,202,646</u>
Liabilities	\$ 27,380
Fund balances	<u>1,175,266</u>
Liabilities and fund balances	<u>\$1,202,646</u>

The total unaudited receipts and disbursements of the OIEAHC were \$1,279,975 and \$1,263,991, respectively, for the year ended June 30, 2000. Separate financial statements for the OIEAHC may be obtained by writing the Treasurer, Omohundro Institute of Early American History and Culture, P.O. Box 220, Williamsburg, Virginia 23187-0220.

B. Basis of Accounting

The accrual basis of accounting is used in accordance with the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' Audit Guide for Colleges and Universities. Depreciation expense related to capitalized fixed assets is not recorded.



C. Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources, the accounts are maintained in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds that may be used for activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Visitors. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the Board of Visitors retains full control and use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund, which owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund which owned the assets, except for income derived from investments of Endowment and Similar Funds, which is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in Unrestricted Current Funds. Unrestricted revenue is accounted for in the Current Unrestricted Fund. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate Restricted Funds. Restricted Current Funds are reported as revenues and expenditures when expended for current operating purposes.

A summary of fund group definitions is as follows:

Current Funds - Current Fund balances are separated into those which are restricted by donors and those which are unrestricted. Restricted funds may only be expended for the purpose indicated by the donor or grantor, whereas unrestricted funds are available for current operations at the discretion of the Colleges.

Loan Funds - Loan Funds represent funds which are limited by the terms of their donors or by action of the Board of Visitors for the purpose of making loans to students.

Endowment and Similar Funds - Endowment and Similar Funds are divided into appropriate classifications. Endowment funds have been received from benefactors who, by the terms of their conveying instruments, have stipulated that the principal of their gifts may never be expended. Funds functioning as quasi-endowments are funds, which the Board of Visitors of the College, rather than the donor, has determined are to be retained and invested until the Board, at its discretion, authorizes their expenditure. The principal of such funds may be either restricted or unrestricted as to use.

Plant Funds - Plant Funds are divided into four groups: Unexpended, Renewal and Replacement, Retirement of Debt, and Net Investment in Plant. Unexpended Plant Funds represent funds, which were specified by external sources and designated by the Board of Visitors for the acquisition, construction, renovation, and replacement of physical properties. Renewal and Replacement Funds are used to provide for the necessary repairs and replacements of plant facilities. Retirement of Debt Funds include resources held for the retirement of both principal and interest on debt established under bond indentures and capital lease agreements. Net Investment in Plant represents the capitalized value of physical property, less associated long-term debt.

Agency Funds - Agency Funds consist of funds held in trust by the Colleges.

D. Investments

Investments are recorded at cost, if purchased, or fair market value at the date of receipt, if received as a gift, and reported in accordance with Governmental Accounting Standards Board Statement No. 31 (GASB 31) (See Note 2).

E. Inventories

Inventories at the Williamsburg and York River (Virginia Institute of Marine Science) campuses are valued at average cost. The inventories at Richard Bland College are valued at the lower of cost (first-in, first-out) or market.

F. Investment in Plant

Fixed assets are recorded in Investment in Plant at historical cost or fair market value at the date of acquisition. Construction is capitalized when expended and reflected in Investment in Plant.

Current Fund expenditures for furniture, fixtures, and equipment are capitalized when the unit price is greater than or equal to \$2,000 and has an estimated useful life of two years or more. Library books, other than those rare books and special collections specifically valued, are capitalized based on average acquisition cost. Portions of the assets include inexhaustible art and historical collections. In conformity with Commonwealth policies, the value of these collections is not reflected in the balance sheet.

The accompanying financial statements make no provision for depreciation of plant assets.

G. Deferred Revenue

Deferred revenue represents revenue collected, but not earned as of June 30, 2000. This is primarily composed of revenue for student tuition accrued in advance of the semester.

H. Gifts

Gifts are not recorded until received. Gifts to college-related organizations whose funds are not administered by the Presidents or the Board of Visitors are not recorded in the financial statements.

## 2. CASH AND INVESTMENTS

### A. Cash

Cash held by the Treasurer of Virginia is maintained pursuant to Section 2.1-177, et. seq., Code of Virginia (1950), as amended, who is responsible for the collection, disbursement, custody, and investment of state funds. Each fund's equity in pooled state funds is reported as "Cash and cash equivalents" on the balance sheet and is not categorized as to credit risk. Richard Bland College has received a petty cash advance in the amount of \$3,000 from the Treasurer of Virginia. This advance is also included in "Cash and cash equivalents" on the balance sheet.

Securities lending transactions are reported as investments on the Colleges' financial statements. These amounts represent the Colleges' allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Loaned securities, for which the collateral is reported on the balance sheet, are non-categorized as to credit risk. Details of the General Account securities lending program are included in the Commonwealth's Annual Financial Report (CAFR).

The carrying amount of cash not held by the Treasurer of Virginia is \$3,321,637. The carrying amount consists of bank balances reported at June 30, 2000, in the amount of \$6,632,885, which is adjusted for reconciling items, petty cash items, and change funds. The Colleges have elected to have these amounts collateralized in accordance with the Virginia Securities for Public Deposits Act, Section 2.1-359 et. seq. of the Code of Virginia (1950), and the cash is, therefore, considered insured or collateralized and reportable as Category 1 as defined by Governmental Accounting Standards Board Statement No. 3.

### B. Investments

In accordance with Governmental Accounting Standards Board Statement No. 31, certain investments have been reported at fair market value.

In accordance with the Board of Visitors' Resolution 17, April 29-30, 1999, and Resolution 13, April 24, 1998, investments can be made in the following instruments: cash, U.S. Treasury and federal agency obligations, commercial bank certificates of deposit, commercial paper, bankers' acceptances, corporate notes and debentures, money market funds, convertible securities, and equities. Investments at June 30, 2000, are categorized below by credit risk.

The three categories of risk are:

Category 1 - Insured or registered securities or securities held by the Colleges or their agents in the name of the respective college.

Category 2 - Uninsured or unregistered, with securities held by the counterparties' trust departments or agents in the name of the respective college.

Category 3 - Uninsured and unregistered, with securities held by the counterparties, or by their trust departments or agents, but not in the institutions' name. (This includes the portion of the carrying amount of any repurchase agreement that exceeds the market value of the underlying securities).

	<u>Category 1</u>	<u>Reported Amount</u>	<u>Fair Value</u>
U.S. Treasury and agency securities	\$ 1,998,719	\$ 1,998,719	\$ 1,998,719
Common and preferred stocks	26,884,834	26,884,834	27,079,570
Corporate bonds	12,055,616	12,055,616	12,055,616
Commercial paper	130,000	130,000	130,000
Mutual, money market, and cash funds	<u>428,116</u>	<u>428,116</u>	<u>428,116</u>
	<u>\$41,497,285</u>	41,497,285	41,692,021
Mutual and money market funds		2,731,334	2,731,334
State non-arbitrage program investments (SNAP)		6,417,869	6,417,869
Securities lending transactions		749,654	749,654
Stone Mountain half-dollars		<u>14</u>	<u>280</u>
Total investments		<u>\$51,396,156</u>	<u>\$51,591,158</u>

### 3. ENDOWMENT AND SIMILAR FUNDS

Investments of Endowment and Similar Funds of The College of William and Mary are composed of the following:

	<u>June 30, 2000</u>		<u>June 30, 1999</u>	
	<u>Fair Value</u>	<u>Reported</u>	<u>Fair Value</u>	<u>Reported</u>
Equity investments	\$27,062,181	\$26,867,445	\$28,100,108	\$28,030,249
Bond investments	7,621,365	7,621,365	8,159,741	8,159,741
Cash equivalents/ Money market	<u>665,715</u>	<u>665,715</u>	<u>321,748</u>	<u>321,748</u>
Total	<u>\$35,349,261</u>	<u>\$35,154,525</u>	<u>\$36,581,597</u>	<u>\$36,511,738</u>

Investments of Endowment and Similar Funds of Richard Bland College are composed of the following:

	<u>June 30, 2000</u>		<u>June 30, 1999</u>	
	<u>Fair Value</u>	<u>Reported</u>	<u>Fair Value</u>	<u>Reported</u>
Cash equivalents/ Money market	<u>\$390,884</u>	<u>\$390,884</u>	<u>\$391,030</u>	<u>\$391,030</u>

Marketable securities are reported at fair value in accordance with GASB 31. GASB 31 does not apply to those securities that are accounted for under the equity method. Those received by gift are recorded at fair value on the date of acquisition. Generally, assets of individual endowment funds are pooled on a market value basis. Each individual fund subscribes to or disposes of units on the basis of the market value per unit share at the beginning of the calendar quarter within which the transaction takes place. The

distribution of income is based on the number of units owned by each fund. Realized gains and losses are not distributed to individual funds, but are reflected in the Reserve for Securities Appreciation Fund.

#### 4. COMMITMENTS

At June 30, 2000, outstanding construction commitments totaled approximately \$79,396,000 of which \$29,331,000 has been incurred.

Commitments also exist under various operating leases for buildings and computer software. In general, the leases are for one to three year terms with renewal options on the buildings and certain computer software for additional one-year terms. In most cases, these leases will be replaced by similar leases. The College of William and Mary has also entered into one 20-year lease for space in the Applied Science Research Center Building at the Jefferson Center for Research and Technology in Newport News, Virginia. Rental expense for the fiscal year ending June 30, 2000, was \$1,620,355. As of June 30, 2000, the following total future minimum rental payments are due under the above leases:

2001	\$1,755,590
2002	1,414,543
2003	1,296,055
2004	1,225,716
2005 and later	<u>2,662,282</u>
Total	<u>\$8,354,186</u>

#### 5. RETAINAGE PAYABLE

At June 30, 2000, \$1,126,752 was held as retainage on various construction contracts for work which had been performed. The retainage will be remitted to the various contractors upon satisfactory completion of the construction projects.

#### 6. LONG-TERM DEBT

##### A. Bonds Payable

The College of William and Mary's bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(c) bonds are backed by the full faith, credit, and taxing power of the Commonwealth and are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Listed below are the bonds outstanding at year-end.

		Balance as of June 30, 2000
Renovation of Dormitories:		
4.500%-5.900% Higher Education 9(c), Series 1992D1, matures 2006	\$ 390,000	
3.500%-5.000% Higher Education 9(c), Series 1993B1, matures 2013	455,000	
6.000%-6.400% Higher Education 9(c), Series 1994A1, matures 2006	60,000	
6.000%-6.400% Higher Education 9(c), Series 1994A2, matures 2008	800,000	
3.560%-5.650% Higher Education 9(c), Series 1996A1, matures 2016	1,440,000	
4.750%-5.125% Higher Education 9(c), Series 1996R5, matures 2014	114,208	
4.750%-5.125% Higher Education 9(c), Series 1996R6, matures 2015	1,701,627	
3.790%-5.400% Higher Education 9(c), Series 1997A2, matures 2017	685,000	
3.790%-5.400% Higher Education 9(c), Series 1997A3, matures 2017	3,070,000	
4.470%-4.930% Higher Education 9(c), Series 1998A1, matures 2018	5,915,000	
3.500%-5.000% Higher Education 9(c), Series 1998R2, matures 2013	687,737	
3.500%-5.000% Higher Education 9(c), Series 1998R3, matures 2013	32,012	
3.500%-5.000% Higher Education 9(c), Series 1998R4, matures 2013	<u>352,439</u>	15,703,023
Graduate Housing:		
5.600%-7.600% Higher Education 9(c), Series 1991A1, matures 2002	680,000	
3.750%-4.800% Higher Education 9(c), Series 1993A1, matures 2003	70,000	
3.500%-5.000% Higher Education 9(c), Series 1993R8, matures 2011	4,235,327	
4.750%-4.750% Higher Education 9(c), Series 1996R4, matures 2003	<u>380,628</u>	5,365,955
Randolph Residences:		
3.500%-4.250% Higher Education 9(c), Series 1993R4, matures 2001	274,461	
3.500%-5.000% Higher Education 9(c), Series 1993R6, matures 2009	<u>1,327,833</u>	1,602,294
Tyler Hall:		
3.750%-5.200% Higher Education 9(c), Series 1993R1, matures 2008	<u>652,097</u>	652,097
Telecommunications:		
3.500%-4.600% Higher Education 9(c), Series 1993R5, matures 2004	1,067,167	
3.500%-4.625% Higher Education 9(c), Series 1993R7, matures 2005	151,456	
4.750%-5.125% Higher Education 9(c), Series 1996R3, matures 2001	<u>35,302</u>	1,253,925
University Center:		
5.000%-6.000% Higher Education 9(c), Series 1992C1, matures 2004	1,865,000	
3.500%-5.000% Higher Education 9(c), Series 1993B2, matures 2013	155,000	
3.500%-5.000% Higher Education 9(c), Series 1998R1, matures 2013	<u>6,481,788</u>	8,501,788
Underground Utility:		
3.500%-5.600% Higher Education 9(c), Series 1995A1, matures 2014	1,330,000	
3.790%-5.400% Higher Education 9(c), Series 1997A1, matures 2017	<u>1,810,000</u>	3,140,000
Zable Stadium:		
3.500%-4.250% Higher Education 9(c), Series 1993R3, matures 2001	<u>91,487</u>	<u>91,487</u>
Total bonds payable		<u>\$36,310,569</u>

B. Notes Payable

Section 9(d) bonds, issued through the Virginia College Building Authority's Pooled Bond Program, are backed by pledges against the general revenues of the College and are issued to finance other capital projects. Listed below are the notes outstanding at year-end.

William and Mary Hall:	
3.750%-5.00% Higher Education 9(d), Series 1997A, matures 2018	\$2,015,000
Marshall-Wythe Library Addition:	
5.000%-6.00% Higher Education 9(d), Series 1999A, matures 2019	1,870,000
Total notes payable	<u>\$3,885,000</u>

The principal and interest on bonds and notes are payable only from net income and specific auxiliary activities or from designated fee allocations. Other Liabilities of \$14,310 represent interest earnings to be rebated to the Internal Revenue Service for both 9(c) and 9(d) debt.

C. Capital Leases

The College of William and Mary and Richard Bland College participate in the Higher Education Equipment Trust Fund (HEETF) of the Virginia College Building Authority (VCBA). Through 1998, for accounting purposes, this financing arrangement was considered to represent a capital lease. Assets acquired under this arrangement are institutional assets with related liabilities to the VCBA. In fiscal year 1999, changes were made to the HEETF program. Assets acquired under the new arrangement are owned immediately by the institution and no liability is recorded.

The transactions described here relate to the pre-1999 financing arrangement. No equity or prior year allocations remain unused for The College of William and Mary, Virginia Institute of Marine Science, or Richard Bland College. At June 30, 2000, the remaining liability to VCBA is \$2,215,496. Payments are due through 2003.

The College of William and Mary has entered into an agreement with College Enterprises, Inc. (CEI), an affiliate of the Endowment Association of the College of William and Mary, to acquire telecommunications and video services. For accounting purposes, this financing arrangement is considered to represent a capital lease and is payable over four years. The original lease amount was \$3,700,000, which has a remaining liability at June 30, 2000 of \$925,000.

D. Installment Purchases

At June 30, 2000, installment purchases consist of the current and long-term portions of obligations resulting from various contracts used to finance the acquisition of equipment. The lengths of the purchase agreements range from two to five years, and the interest rate charges are from 4.63% to 7.01%.

Long-term debt as of June 30, 2000 matures as follows:

Fiscal Year	Notes and Bonds	Capital Leases		Installment Purchases	Total
		HEETF	CEI		
2001	\$ 2,606,950	\$1,027,646	\$925,000	\$191,756	\$ 4,751,352
2002	2,367,243	842,739	-	156,608	3,366,590
2003	2,491,595	345,111	-	46,462	2,883,168
2004	2,587,890	-	-	22,263	2,610,153
2005	2,413,220	-	-	8,588	2,421,808
2006 and later	<u>27,728,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,728,671</u>
Total	<u>\$40,195,569</u>	<u>\$2,215,496</u>	<u>\$925,000</u>	<u>\$425,677</u>	<u>\$43,761,742</u>

E. Prior Year Defeasance of Debt

During fiscal years 1993, 1994, and 1996, the College defeased certain 1982A, 1988A, 1989B, 1990B, 1991A, and 1994A series, respectively, General Obligation Revenue Bonds. The proceeds from these refunding bonds were deposited into irrevocable trusts with escrow agents to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the College's financial statements.

Current year payments and future obligations for the defeased bonds are as follows:

<u>Series</u>	<u>Retired in Fiscal 2000</u>	<u>Outstanding at June 30, 2000</u>
1982A	\$ 335,000	\$ 380,000
1988A	55,000	625,000
1989B	662,530	2,705,574
1990B	30,000	185,000
1991A	-	4,365,000
1992C	-	6,130,000
1992D	-	645,000
1994A	<u>-</u>	<u>2,025,000</u>
Total	<u>\$1,082,530</u>	<u>\$17,060,574</u>

7. ACCRUED LEAVE

In accordance with Financial Accounting Standards Board (FASB) Statement No. 43, a liability of \$5,949,203 at June 30, 2000, and \$5,408,537 at June 30, 1999, is recognized for vacation, sick, and compensatory leave earned, but not taken as of June 30 of each year for its faculty, professional, and classified employees. The current liability, representing termination-type payments to employees associated with the amounts noted above is \$129,140 for 2000 and \$70,637 for 1999. For faculty and professional employees, the liability reflects accumulated vacation leave balances up to a maximum of 30 days. For classified employees, the liability reflects earned vacation, sick and compensatory leave as prescribed by the



Commonwealth of Virginia's leave policies. Vacation leave is earned, along with maximum accumulated balances, based on years of service. Sick leave is earned based on years of service with an unlimited accumulated sick leave balance; however, upon termination under the traditional sick leave program, the liability is limited to the lesser of 25 percent of the employee's accumulated sick leave balance or \$5,000 for employees with a minimum of five years employment with the state. For full-time and part-time classified employees hired on or after January 1, 1999, sick leave and personal family leave is allotted at the beginning of each calendar year and is based on length of service and percentage of time worked under the Virginia Sickness and Disability Program (VSDP). Compensatory leave is earned in accordance with the Federal Fair Labor Standards Act with the liability limited to the employees' actual balances earned within the last 12 months.

In accordance with GASB Statement No. 16, an additional liability amount, including the applicable FICA taxes, has been included for those employees with less than five years of service based on the probability that they will eventually become vested.

#### 8. INVESTMENT IN PLANT

	<u>2000</u>	<u>1999</u>
Investment in plant:		
Land and improvements	\$ 15,466,679	\$ 15,359,379
Buildings	186,211,164	184,672,215
Furniture, fixtures, and equipment	59,916,365	57,195,846
Library books	70,398,112	68,613,263
Construction in progress	<u>30,022,133</u>	<u>15,486,815</u>
Total investment in plant	<u>\$362,014,453</u>	<u>\$341,327,518</u>

The methods employed to value the general collections of the Earl Gregg Swem Library and the Marshall-Wythe Law Library are based on average cost determined by each library. The average cost of the Swem Library for purchases of books was \$60.69 and \$55.84 for fiscal years 2000 and 1999, respectively. The average cost of the law library books was \$107.66 and \$102.94 for fiscal years 2000 and 1999, respectively. Special collections maintained by each library are valued at historical cost or replacement value. The effects of the net change in the value of the general and special collections of the academic and law libraries have been included as additions to current year operations. In prior years, the York River campus (Virginia Institute of Marine Science) had valued library holdings at the actual cost of acquisition. In fiscal year 2000, the valuation method was changed to reflect the average cost basis. The average cost of library books purchased for the York River Campus was \$45.00 and \$89.11 for fiscal years 2000 and 1999, respectively. The variance between years is represented by changes in the evaluation method. The academic library at Richard Bland College is valued on the unit cost basis, which was \$44.00 and \$47.00 for fiscal years 2000 and 1999, respectively.

9. STATE APPROPRIATIONS

The following is a summary of state appropriations received by The College of William and Mary and Richard Bland College, including all supplemental appropriations and reversions.

Original Appropriation - Appropriation Act		\$63,527,242
Supplemental appropriation:		
VA Writing Project	8,625	
VIVA libraries	18,495	
Mandatory reappropriation	356,651	
Health insurance premium	535,956	
Deferred compensation	30,643	
Salary regrade	<u>1,301,647</u>	2,252,017
Appropriation reductions:		
Group life insurance savings	332,561	
Higher education retirement contribution	364,710	
ORP retirement contribution	143,916	
Automobile premium savings	30,757	
Retirement health insurance credit	228,884	
Retirement contribution lag pay	8,102	
IHRIS development	2,573	
Virginia Power	8,024	
VIVA libraries	<u>7,420</u>	1,126,947
Reversions to the General Fund to the Commonwealth		<u>404,223</u>
Appropriations as adjusted		<u><u>\$64,248,089</u></u>

10. RESTATEMENT OF FUND BALANCES AT JUNE 30, 1999

Certain fund balances originally reported in the College's financial statements as of June 30, 1999, have been restated to reflect further evaluation of assets and liabilities.

Current funds:		
Unrestricted:		
Fund balance June 30, 1999	\$ 3,574,854	
Unrestricted funds previously held as Agency Funds	<u>67,927</u>	
Fund balance as restated June 30, 1999	<u><u>\$ 3,642,781</u></u>	
Endowment:		
Fund balance June 30, 1999	\$ 42,382,350	
Real estate held transferred into Investment in Plant	<u>(6,603,989)</u>	
Fund balance as restated, June 30, 1999	<u><u>\$ 35,778,361</u></u>	

Investment in Plant:	
Fund balance June 30, 1999	\$297,633,831
Adjustment: Equipment	(2,056,793)
Plant Funds previously held as Endowment Funds	<u>6,603,989</u>
Fund balance as restated, June 30, 1999	<u>\$302,181,027</u>

# 11. CONTRIBUTION TO PENSION PLAN

Substantially all full-time classified salaried employees of The College of William and Mary and Richard Bland College participate in the defined benefit retirement plan administered by the Virginia Retirement System (VRS). VRS is an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agency for the Commonwealth of Virginia and its political subdivisions.

The College of William and Mary and Richard Bland College's payroll costs for employees covered by VRS were \$50,503,862 and \$47,338,656 for the years ended June 30, 2000 and 1999, respectively. Total payroll costs were \$103,056,298 and \$94,318,454 for the years ended June 30, 2000 and 1999, respectively.

Information regarding types of employees covered, benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions, as well as employer and employee obligations to contribute are established can be found in the Commonwealth's Comprehensive Annual Financial Report (CAFR).

The College of William and Mary and Richard Bland College's total VRS contributions were \$5,591,394 and \$4,957,648 for the years ended June 30, 2000 and 1999, respectively, which included a five percent employee contribution assumed by the employer. These contributions represent approximately 11.07 percent of covered payroll. In 1999, contributions represented approximately 10.84 percent for the period July 1998 to December 1998 and 10.10 percent for the period January 1999 to June 1999 of covered payroll. In fiscal year 1999 only, the retirement rate was reduced mid-year by 0.74 percent, which was allocated to the Virginia Sickness and Disability Program.

The VRS does not measure assets and pension benefit obligations separately for individual state institutions. The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 1999. The same report contains historical trend information showing VRS' progress in accumulating sufficient assets to pay benefits when due.

## Optional Retirement Plan

Full-time faculty and certain administrative staff may participate in a retirement annuity program through various optional retirement plans other than the VRS. This is a fixed-contribution program where the retirement benefits received are based upon the employer's contributions of approximately 10.4 percent, plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of contributions of the College of William and Mary and Richard Bland College and their employees. Total pension costs under this plan were \$3,867,705 and \$3,377,726 for the years ended June 30, 2000 and 1999, respectively. Contributions to the optional retirement plans were calculated using the base salary amount of \$37,189,477

and \$32,478,134 for fiscal years 2000 and 1999. The College of William and Mary and Richard Bland College's total payrolls for fiscal years 2000 and 1999 were \$103,056,298 and \$94,318,454 respectively.

## 12. POST-RETIREMENT BENEFITS

The Commonwealth participates in the VRS-administered statewide group life insurance program which provides post-employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of service and participate in the state's health plan. Information related to these plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

## 13. AFFILIATED ORGANIZATIONS

The financial statements do not include the assets, liabilities, or fund balances of the Athletic Educational Foundation of The College of William and Mary, Incorporated; The Endowment Association for The College of William and Mary in Virginia, Incorporated; The Society of the Alumni of the College of William and Mary, Incorporated; The College of William and Mary, School of Business Administration Sponsors, Incorporated; The Marshall-Wythe School of Law Foundation, Incorporated; or Richard Bland College Foundation. The purpose of these organizations is to operate for the benefit of the College. In exchange, the College provides varying levels of support to these organizations such as use of property and equipment, office supplies, accounting services, clerical staff, and data processing. College employees or committees may be responsible for awarding scholarships, soliciting donations, investing funds, and managing other day-to-day operations. Some of the organizations reimburse the College for an agreed upon portion of expenses.

These organizations were examined by other auditors, whose reports thereon have been furnished to the College. Amounts included for the organizations are based solely on the reports of the other auditors. Following is a condensed summary of the June 30, 2000, financial position of the above organizations:

Assets	<u>\$406,235,349</u>
Liabilities	\$ 17,108,494
Fund balances	<u>389,126,855</u>
Total liabilities and fund balances	<u>\$406,235,349</u>

The aggregate revenues and expenditures of the foundations were \$59,419,098 and \$22,862,706, respectively, for the year ended June 30, 2000. The College and the above-named organizations are parties to the following transactions:

Athletic Educational Foundation of The College of William and Mary, Incorporated -The Foundation was organized to promote and further education of all kinds at the College; however, it principally supports the College's Athletic Department. The College received \$1,361,822 from the Foundation during the year ended June 30, 2000.

The Endowment Association for The College of William and Mary in Virginia, Incorporated-The Association is authorized to receive and administer gifts and bequests of all kinds. The Endowment Association makes cash resources available to the College that may be drawn as

needed by the College within the Association's budgetary restrictions. For the year ended June 30, 2000, the Endowment Association transferred \$1,198,391 to the College.

The Society of the Alumni of the College of William and Mary, Incorporated - The Society is organized to cultivate alumni relations in order to benefit the Foundations' fund-raising efforts. The College provides direct financial support to the Society. The College disbursed \$1,391,330 to the Society during the year ended June 30, 2000.

The College of William and Mary, School of Business Administration Sponsors, Incorporated - The Sponsors was established for the purposes of soliciting and receiving gifts to endow the College of William and Mary School of Business Administration and to administer and manage the Executive MBA program. The College received \$728,268 from the Sponsors during the year ended June 30, 2000. Of this amount, \$574,087 was for the College's share of tuition revenue from the Executive MBA Program.

Marshall-Wythe School of Law Foundation - The Foundation was established for the purpose of soliciting and receiving gifts to endow the College's Marshall-Wythe School of Law.

Richard Bland College Foundation - The Foundation is organized as a fund-raising organization to support the College. The College received \$123,384 from the Foundation during the year ended June 30, 2000.

Other organizations affiliated with the College such as The Law School Association, Incorporated; The Masters of Business Administration (MBA) Association, Incorporated; and the Order of the White Jacket, Incorporated, were founded primarily along fraternal lines with the intent to benefit the College in the area of the organizations' special interest.

The Richard Bland College Foundation, which is separately incorporated and managed by its own Board, was organized as a fund-raising activity to support the College. Gifts and grants to the College are received and managed by the Foundation. Income received from the Foundation is recorded as a gift when received.

#### 14. CONTINGENCIES

##### A. Grants and Contracts

The College of William and Mary and Richard Bland College receive assistance from non-state grantor agencies in the form of grants and contracts. Entitlement to these resources is conditional upon compliance with the terms and conditions of the agreements, including the expenditure of resources for eligible purposes. Substantially all grants and contracts are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability. As of June 30, 2000, the Colleges estimate that no material liabilities will result from such audits.

##### B. Litigation

The College of William and Mary and Virginia Institute of Marine Science are currently involved in litigation, which could result in judgments against the institutions. Per the Attorney

General of the Commonwealth of Virginia, the litigations are a result of two different lawsuits, both alleging personal injury. At the present time, it is not reasonably possible to estimate the outcome or liability to the Colleges with respect to these proceedings. Total damages sought in these lawsuits are approximately \$2,135,000.

#### 15. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft, or damage to and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The College participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care plan is administered by the Department of Personnel and Training and the risk management insurance plans are administered by the Department of General Services, Division of Risk Management. Risk management insurance includes worker's compensation, property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The College pays premiums to each of these departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

THE COLLEGE OF WILLIAM AND MARY  
CONSOLIDATED REPORT  
SCHEDULE OF AUXILIARY ENTERPRISES REVENUES AND EXPENDITURES  
For The Year Ended June 30, 2000

	Food Services	Residential Facilities	Stores and Shops	Student Health	Telecom- munications	Intercollegiate Athletics
Operating revenues:						
Student fees	\$7,134,275	\$11,928,403	\$ -	\$1,799,053	\$1,515,578	\$5,222,338
Sales and services	241,028	337,672	632,792	275,499	1,278,496	1,618,178
Other sources	-	375,000	5,034	-	-	-
Gross operating revenues	7,375,303	12,641,075	637,826	2,074,552	2,794,074	6,840,516
Cost of sales	-	-	263,742	-	-	438
Net operating revenues	7,375,303	12,641,075	374,084	2,074,552	2,794,074	6,840,078
Operating expenditures:						
Personal services	9,492	2,435,793	1,328	1,601,328	827,932	3,251,454
Contractual services	6,795,711	2,763,588	59,524	129,425	1,246,476	2,224,430
Current charges and obligations	769,545	3,718,940	158,878	154,803	398,425	419,718
Supplies and materials	32,560	356,052	20,599	142,881	48,473	264,417
Equipment	24,061	485,426	10,282	19,640	261,411	158,787
Property and improvements	-	-	-	-	-	-
Plant and improvements	-	111,462	-	-	-	286,400
Scholarships	1,250	523,621	20,582	100	-	3,057,113
Miscellaneous	-	-	1,000	-	-	-
Total operating expenditures	7,632,619	10,394,882	272,193	2,048,177	2,782,717	9,662,319
Excess (deficiency) of revenues over (under) operating expenditures	(257,316)	2,246,193	101,891	26,375	11,357	(2,822,241)
Nonoperating revenues: Private gifts	-	-	27,000	-	-	2,403,528
Transfers in (out):						
Mandatory:						
Debt service	-	(2,646,278)	-	-	(344,564)	-
Nonmandatory	-	-	70,126	-	-	-
Total transfers	-	(2,646,278)	70,126	-	(344,564)	-
Net increase (decrease) for the year	(257,316)	(400,085)	199,017	26,375	(333,207)	(418,713)
Fund balances (deficits) at beginning of year **	4,019,049	1,298,593	(140,906)	826,105	495,582	78,253
Fund balances (deficits) at end of year	\$3,761,733	\$898,508	\$58,111	\$852,480	\$162,375	(\$340,460)

\* Other includes the following: Ash Lawn, Auxiliary Enterprise Administration, Auxiliary Enterprise Licensing Royalties, Campus Center, College Enterprises, Inc., Colonial Echo, Concerts, Conference Services, Conservation Center, Elderhostel, Facilities Management, Facilities Planning, Faculty Housing, Fine Arts Museum, Flat Hat, General Auxiliary Enterprise Fee, ID Office, Information Technology, National Planning & Giving Institute, Recreational Sports, Shakespeare Festival, Student Recreation Center, Tennis Center, Underground Utility Fee, University Center, Vending, William and Mary Hall, Zable Stadium, Richard Bland Intramural Athletics.

\*\* Certain 1999 amounts have been restated to conform to 2000 classifications.

Parking and Transportation	Extramural Programs	Other *	Total
\$317,737	\$ -	\$7,392,901	\$35,310,285
706,295	829,639	4,118,450	10,038,049
11,618	-	218,982	610,634
1,035,650	829,639	11,730,333	45,958,968
-	-	223,393	487,573
1,035,650	829,639	11,506,940	45,471,395
422,208	168,593	2,828,700	11,546,828
154,887	576,105	4,145,353	18,095,499
100,639	1,503	1,749,145	7,471,596
47,742	8,978	313,384	1,235,086
12,527	1,122	172,381	1,145,637
33,495	-	112	33,607
23,166	-	283,301	704,329
250	78,064	51,398	3,732,378
-	-	20,832	21,832
794,914	834,365	9,564,606	43,986,792
240,736	(4,726)	1,942,334	1,484,603
-	-	-	2,430,528
-	-	(2,445,599)	(5,436,441)
-	-	(385,481)	(315,355)
-	-	(2,831,080)	(5,751,796)
240,736	(4,726)	(888,746)	(1,836,665)
1,242,494	1,098,104	(1,519,419)	7,397,855
\$1,483,230	\$1,093,378	(\$2,408,165)	\$5,561,190



THE COLLEGE OF WILLIAM AND MARY  
Williamsburg, Virginia

BOARD OF VISITORS

J. Edward Grimsley, Rector

William P. Barr, Vice Rector

William P. Fricks, Secretary

Belden H. Bell  
J. Peter Clements  
Lawrence S. Eagleburger  
R. Scott Gregory  
Paul C. Jost  
Gary D. LeClair  
Susan A. Magill

Elizabeth A. McClanahan  
Donald N. Patten  
Robert S. Roberson  
Jeffrey L. Schlagenhauf  
Regina B. Schofield  
Francis T. West  
Walter J. Zable

OFFICERS OF ADMINISTRATION

The College of William and Mary

Timothy J. Sullivan, President

Gillian T. Cell, Provost

Samuel E. Jones, Vice President for Finance

Anna Martin, Vice President for Administration

Stewart H. Gamage, Vice President for Public Affairs

W. Samuel Sadler, Vice President for Student Affairs

Edmund A. Brummer, Director of Financial Operations

Richard Bland College

James B. McNeer, President

Anne-Marie McCartan, Provost

Russell E. Whitaker, Jr., Dean of Administration and Finance